

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – MARCH 10, 2005

PRESENT: Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Evie Taft, Human Resources Administrator; Thomas Chagnon, Assistant Director of Information Technology; John Larochelle, Assistant Director of Store Operations; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer. **Guests:** Doreen Wittenberg, Business Supervisor, Administrative Services; Al Picconi, United Beverages, Inc.

EXCUSED: Chairman Anthony Maiola; Peter Engel, Director of Store Operations; Howard Roundy, Director of Information Technology.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports:

A. Weekly, Y-T-D Sales Reports:

Weekly sales for this week compared to last year were up almost 9.4% or \$544,843, while totals year-to-date increased by 4.9% or \$13,063,625.

B. Budget/Administrative Reports:

Last Wednesday afternoon, Craig, George and Howard attended an OIT budget meeting, at which time Rick Bailey explained the allocation process in some detail. There was also a question and answer period. John Dolan discussed the Governor's Budget, and asked if this type of meeting should be held on a regular basis. It was the consensus of those present that it would probably be a good idea, but the frequency has not yet been decided.

At the Governor and Council meeting last Wednesday, the Fatal Vision Golf Cart was approved at a cost of \$3,800, which will come from Highway Safety.

Commissioner Byrne reported attending a Department Heads meeting with the Governor, at which time John Dolan did review the differences between the Governor's estimates and the legislative Ways & Means estimates. The House is starting with a lower base of what they expect the Commission will bring in for revenues. Both George and Commissioner Byrne feel that revenues will reach the Governor's expected \$14.2 million. The other difference is that the Commission has proposed a one-half million dollar increase in the advertising budget. This represents an additional \$1.125 million to the General Fund for FY 06 and 07 which was not included in

the Ways & Means estimate. Commissioner Byrne feels that the estimates will come closer together when the budget goes to the Senate.

The current W-6 Expense Budget Activity Variance Report shows the year to be at around 68% expended, with total agency expenditures of about 67%. Personnel lines are down about \$400,000, while maintenance costs have decreased by \$225,000. Worker's and unemployment compensation costs are also down to date. The biggest increase is in the benefits line.

The Commission will be submitting a contract for the Governor and Council agenda to repair the canopy at Store #1 Concord, which has been leaking and then freezing over the winter months.

A call was received this morning from Public Works relaying that the substantial completion of repairs at Store #38 in Portsmouth is happening. A five-year warranty will be provided for the flooring.

2. IT Report

OIT will be coming over for a network meeting to discuss IP re-numbering. This will require us to re-number our network here to conform to the state standard.

Development continues to work on disaster recovery testing. RITA testing for the software version of .30 is also being conducted.

All nine access points in the stores are now fully secured. These access points are used by Enforcement personnel through their wireless laptops.

Training has been provided on patch management, which will be used to patch the operating system on desk top PC's. Testing will be done on a group of users beginning at the end of this week.

3. Human Resources Report

Evie reported that there are currently seven store appraisals and one headquarters appraisal which are overdue.

II. MARKETING & SALES REPORTS

1. Store Operations

Stores are running as usual. The French Wine Sale is taking place at this time.

E-mails have been sent to the stores concerning inventory levels.

Yesterday John Larochelle, John Bunnell and Bob Whiting reviewed the electrical plan for the Keene store at the Department of Transportation. Everything seems to be moving ahead as planned. Commissioner Russell said that bills from Novus have gone over by \$55,000 what the contract allows, and that the money appears to be going to another engineering firm in Keene. She asked for an explanation for this. George said he would contact Purchase & Property regarding the status of the bidding process for the store fixtures.

John Bunnell said that the maintenance crew is currently working on signs for the new Center Harbor store and on repairing signage in Woodstock which was damaged over the winter.

2. Purchasing Report

John explained that the policy regarding the “two to make one” pack will be changed. If a supplier adds an enhancement to a product, it will be assigned a different code number.

3. Merchandising Report

A. SPIRITS:

1) Test Market Products:

a. Test Market Request (Vox Green Apple Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Future Brands LLC for a new test market listing for Vox Green Apple Vodka, 750ML (assigned new Code #3743), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (Danzka Cranberryraz Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Future Brands LLC for a new test marketing listing for Danzka Cranberryraz Vodka, 750ML size (assigned new Code #3757). The motion was unanimously adopted.

c. Test Market Result (Code #3611):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission grant specialty status to Code #3611, Armadale Vodka, 750ML size, as this item exceeded the gross profit requirement for specialty item consideration at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Line Extension Requests:

a. Glenlivet 12-Year Single Malt Scotch, 375ML:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Pernod Ricard for a line extension to Glenlivet 12-Year Single Malt Scotch, 375ML size (assigned new Code #8338), as this brand in both the 750ML and 1.75L sizes have attained their respective gross profits required for an added size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Wild Turkey 101 Bourbon, 375ML:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Pernod Ricard for a line extension to Wild Turkey 101 Bourbon, 375ML size (assigned new Code #8353), as this brand in both the 750ML and 1.75L sizes have attained their respective gross profits required for an added size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Sauza 200ML On Pack:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/ Allied Domecq Spirits and Wine USA to allow stores to affidavit the remaining bottles of Code #3971, Sauza Gold Tequila, 200ML size, to be affixed by the broker to Code #273, Sauza Gold Tequila, 1.75L size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) May Special Offers:

a. 1 item – Perfecta Wine Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Perfecta Wine Company, based upon a special purchase allowance for one (1) spirit item, to be featured on sale during May 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 1 item – M.S. Walker, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from M.S. Walker, Inc., based upon a special purchase allowance for one (1) spirit item, to be featured on sale during May 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 11 unmatched items – M.S. Walker, Inc.

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve offers from M.S. Walker, Inc., based upon depletions, without matching state funds, for eleven (11) spirit items, to be featured on sale during May 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 5 items – Pine State Trading Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve offers from Pine State Trading Company, based upon special purchase allowances for five (5) spirit items, to be featured on sale during May 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. 23 items – Executive Wine Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve offers from Executive Wine Company, based upon special purchase allowances for twenty-three (23) spirit items, to be featured on sale during May 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

f. 21 items – Martignetti Companies of N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve offers from Martignetti Companies of H.H., based upon special purchase allowances for twenty-one (21) spirit items, to be featured on sale during May 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

g. 56 unmatched items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve offers from United Beverages, Inc., based upon depletions, without matching state funds, for fifty-six (56) spirit items, to be featured on sale during May 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) Special Offers for May 2005:

a. 8 items – Charles Saunders:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve offers from Charles Saunders, based upon depletions for eight (8) wine items, to be featured on sale during May 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 2 items – Charles Zoulas:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve offers from Charles Zoulas,

based upon depletions/special purchase allowances for two (2) wine items, to be featured on sale during May 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 18 items – Pine State Trading Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve offers from Pine State Trading Company, based upon depletions for eighteen (18) wine items, to be featured on sale during May 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Close Outs (4 items – Martignetti Companies of N.H.):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H. for the purchase and close out pricing for four (4) Blockhedia wines, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Discontinue Century Cellars 1.5 Liters:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission discontinue and feature on sale during May 2005 four BV Century Cellars varietal wines, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Primary Source Submissions (1 exclusive agent; 6 imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of one (1) wine code which is offered by the exclusive marketing agent and six (6) wine codes which are imported, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Tabled Items:

- a. Recommended Allocated Wines for Distribution to Selected Stores
(tabled from 2/16/05, Item B-5-b):

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It was moved by Commissioner Byrne, seconded by Commissioner Russell, that tabled items from Martignetti Companies of N.H. be removed from the table and referred back to Marketing for further action. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORT – None.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated March 3 through March 9, 2005. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items/Other:

a. Early Closing Recommendation – Year End Inventory
Early Store Closings, Sunday, April 3, 2005:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve early store closings (reduction of one hour) at four (4) store locations on Sunday, April 3, 2005 for year end inventory, as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford